Generations

The America we serve; the America we are.

The 1994 Annual Report
of the Postmaster General

UNITED STATES
POSTAL SERVICE

Generations

The America we serve; the America we are.

The rich heritage of the U.S. Postal Service is best portrayed through its people. Many come from generations of postal families — who grew up in postal homes and followed in their parents' footsteps as part of the larger postal family.

Frank and Anna Thomann of Hills, Iowa, started their family's tradition three-quarters of a century ago. And now, seven decades and four generations later, Thomans continue in the Postal Service. (Over the years, the family dropped the last 'n' in Thomann.)

Deborah Thoman Engaldo, a customer service supervisor at the Lakeside, California, Post Office, is one. On the cover of this 1994 Annual Report, she is joined by her husband Michael; father, Frank Thoman; and her children Tony and Melissa. On the following pages, Deborah's words trace her family's history over the years.

The Thoman Family, representative of hundreds of multi-generational postal families, is the product of a nationwide search through our all-employee magazine. Other families are portrayed throughout the Annual Report.

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To the Governors and Congress

For more than two centuries, the dedicated men and women of the United States Postal Service have pursued their historic mission to serve the communications needs of America's citizens and its businesses.

This annual report reflects that heritage through the eyes of real postal people from families who have been part of the larger postal family who served over many generations. From pen to typewriter to computer to electronic letters, the means of writing letters has changed. Yet, across the generations, the people who deliver the letters are the same dedicated individuals as their predecessors over two centuries.

The mission of the Postal Service also remains unchanged. We are dedicated to "universal service at a uniform price" — the words that chartered this great organization 220 years ago. We shall never waver from this historic mission.

As we move forward into 1995, we look back on a successful 1994 — one where we began to make good on our promise to reinvent the Postal Service and keep it focused on meeting the needs of our customers.

We completed a fourth year without raising rates, the first time that has been accomplished in a quarter century. We beat a tough budget by $430 million. Although we saw some serious service problems develop in some major cities, we dealt with them affirmatively.

According to our External First-Class Measurement System, overnight service performance was 81.9 percent for fiscal year 1994. And customer satisfaction remains high — 85 percent of the nation's households rated their overall satisfaction with the Postal Service as "excellent," "very good," or "good" at the end of the year.

There is much work to do in 1995 to keep the Postal Service moving forward, as we rededicate ourselves to continuing our evolution into a premier provider of 21st-century postal communications.

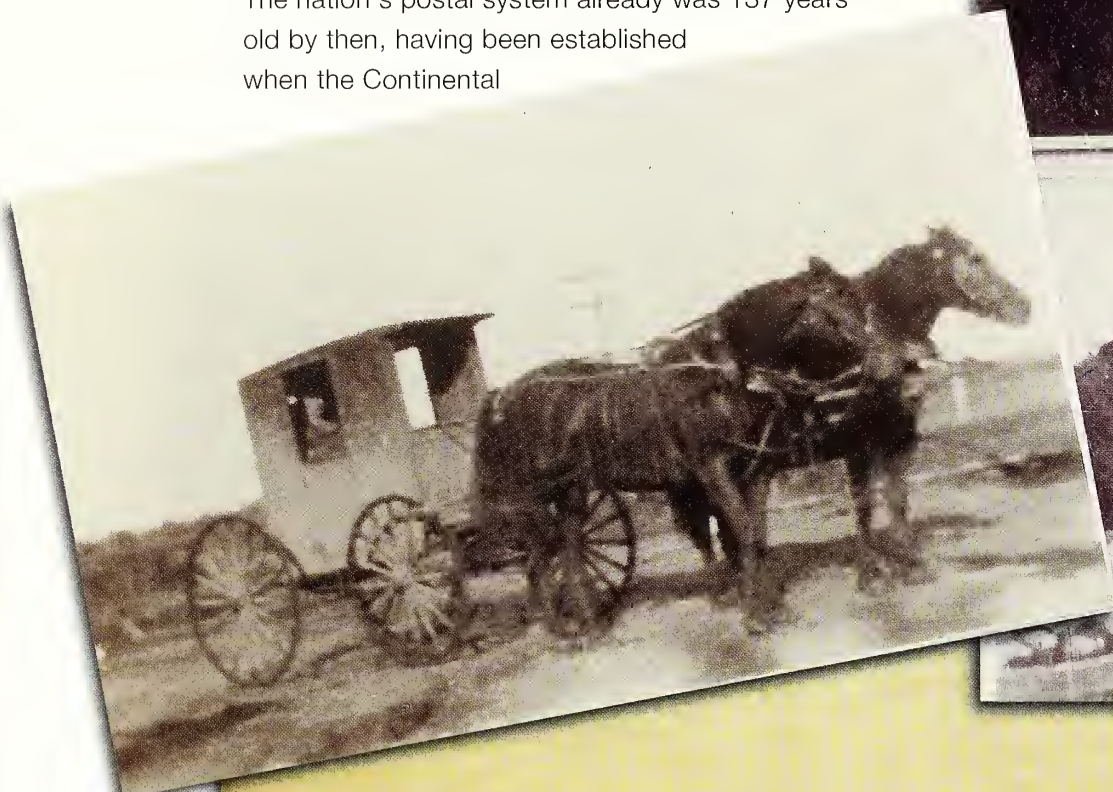
Marvin Runyon

Marvin Runyon
Postmaster General
and Chief Executive Officer
Washington, DC
January 10, 1995

We are proud of our past

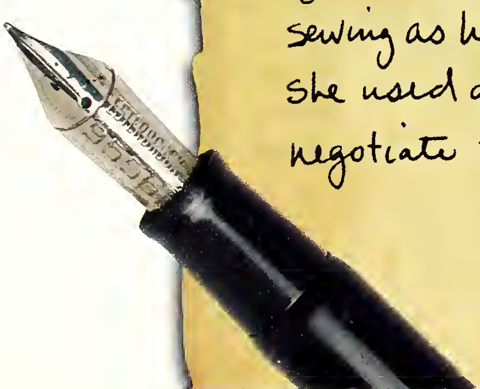
As Deborah Thoman Engaldo writes in the letters on these pages, her family's postal tradition began in 1912, when her great-grandmother, Anna C. Thomann, began her career as a rural carrier relief. Mrs. Thomann's service to those living in rural communities around Hills, Iowa, represents the heart of the Postal Service's charter.

The nation's postal system already was 137 years old by then, having been established when the Continental



1st Generation

Our family's postal tradition began in 1912, when my great grandmother Anna C. Thomann started her 25-year career as a rural carrier relief at the Hills Iowa Post Office. And that was at the age of 40. In 1919, she got her own route, with her husband Frank serving as her relief carrier. Unlike most carriers at the time, she used a team of two horses for the mail wagon to negotiate the steep, unimproved roads in the area...



Congress named Benjamin Franklin to serve as our nation's first Postmaster General. From its beginnings, it was intended to bind the nation together — to provide every American and every business with the opportunity to communicate and to conduct business with each other.

In the more than two centuries that have followed, the United States and the Postal Service have grown and changed together. Today's postal system extends over a nationwide network of almost 40,000 offices, and its people deliver to 125 million addresses six days a week.

By the end of fiscal year 1994 (September 30), the Postal Service generated $49.4 billion in operating revenue and had a work force of 728,944 career employees — among them the fourth generation of Anna Thomann's family, Deborah Thoman Engaldo, a customer service supervisor in Lakeside, California, and her brother, Bill Thoman, a mail handler in Cedar Rapids, Iowa.

And, just as in the days of Deborah's grandparents and father — when the competition came mainly from magazines and newspapers and the telephone and television — mail has remained a competitive medium even in the age of fax, computers and alternate delivery firms. The value of mail remains. The products and services provided by the modern-day Thomans and other postal workers like them are supported by one of America's most recognized, respected, and relevant brands — the United States Postal Service.

2nd Generation

My grandfather, Giles M. Thomann, continued the tradition with his own 23-year career working for the old Post Office Department. The son of Frank and Anna Thomann, he started as a postal clerk at the Iowa City Post Office in 1922 and later became a finance clerk. His truly was a postal family:

Binding our nation together

Although the scope and reach of the Postal Service has changed as our nation has grown, it continues today to do what it has done since Ben Franklin's, Anna Thomann's, Giles Thomann's, and Frank Thoman's first days on the job — deliver the mail and help to fuel the nation's economy by delivering millions of messages and billions of dollars in financial transactions to the nation's eight million businesses and its 260 million citizens.

When Frank Thoman delivered mail in 1950, the Post Office Department was

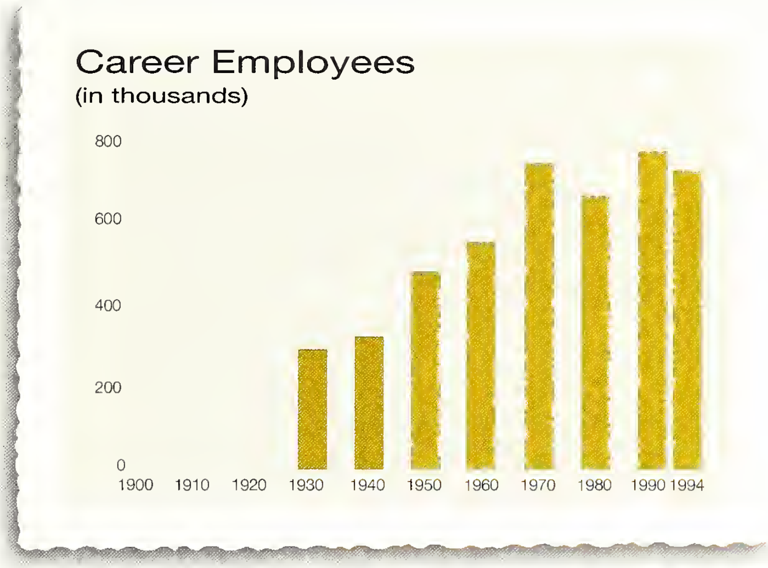
3rd Generation

This is my father, Frank Thoman, when he carried mail in Iowa City. He started as a substitute letter carrier and clerk in 1948. In those days, if there wasn't enough work in one department, the post office could put you to work in another. My father always preferred carrying, because he liked being outdoors and meeting people. He became a regular letter carrier in 1956 and spent the last 31 years of his 42-year career delivering mail to customers on his Manville Heights route before he retired in 1990.

processing and delivering some 45 billion pieces of mail each year. And to reach every mailbox in every community, in every state, the department employed a work force of some 500,000 employees.

By 1971, when postal reorganization created the United States Postal Service, mail volume had almost doubled, and the work force had grown to 741,000 career employees. It was apparent that more than just ZIP codes and the mechanization of operations were needed to cope with increasing mail volume.

During the last half of his 42-year career, Thoman saw the volume of mail increase again by 100 percent but, more importantly, witnessed dramatic new changes in postal equipment that increased efficiency and reduced the number of mailpiece handlings.



By 1984, optical character readers installed in major mail processing centers each were processing more than 6,200 pieces of mail per work hour, compared to the 1,750 pieces per work hour processed by Multi-Position Letter Sorting Machines.

4th Generation

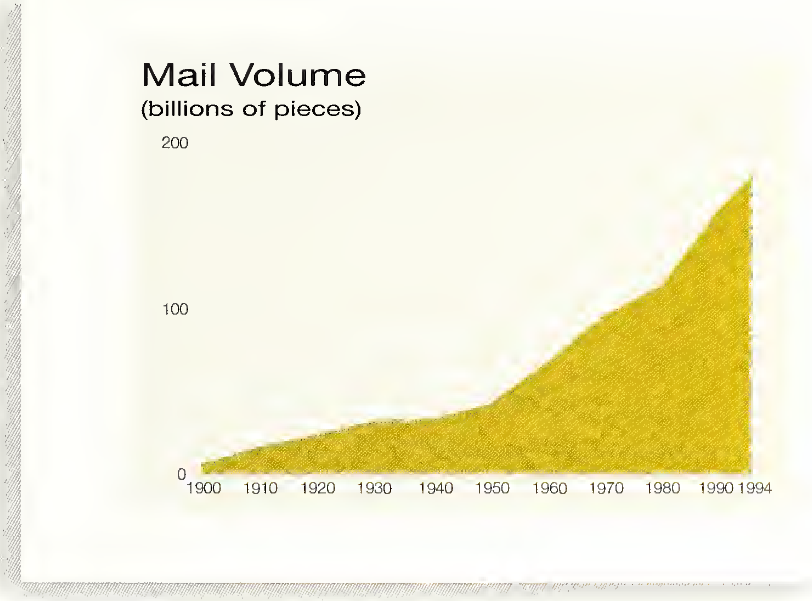
That's me, Deborah (Thoman) Engaldo. I began my postal career in 1980 as a distribution clerk in the Iowa City Post Office before transferring to Lakeside in 1982. In 1990, I was selected as a Delivery Service Analyst for the San Diego Division and, in 1992, became a Customer Service Supervisor for the Lakeside office. The greatest operational change I've seen take place in my 15 years with the Postal Service has been the recent delivery point sequencing of mail, as it's prepared for letter carriers. There has also been a much-needed shift toward customer service, and I am able to make changes if something needs to be corrected.

My brother, Bill Thoman, got a one-year jump on me, beginning his postal career in 1979 as a mail handler in Cedar Rapids, Iowa. One great advantage Bill has in working nights is his ability to enjoy, and participate in, more of his childrens' early development and education. Many working parents don't have that opportunity.

Continuing the tradition

Today, a new generation of equipment is changing the way mail is processed and prepared for delivery. The resulting improvements in efficiency have helped the Postal Service meet the challenges of handling and delivering an annual mail volume that has grown from 106 billion pieces to more than 177 billion pieces since Deborah Thoman Engaldo joined the Postal Service in 1980.

With approximately 40 percent of its automated equipment in place, the Postal Service will continue to fine-tune its work force and organizational structure to meet the demands of processing record volumes of mail in future years.



To help achieve greater efficiency and lower operating costs, the Postal Service has invested about $2.6 billion since 1987 for capital equipment to automate its mail processing and delivery point sequencing operations. Since 1991, approximately 4,000 optical character readers, delivery bar code sorters, and other pieces of equipment have been installed at postal facilities throughout the country.

Postal Service deployment of automation will continue over the next few years and — by the end of 1997 — approximately 12,000 pieces of automated sorting equipment will be in place.

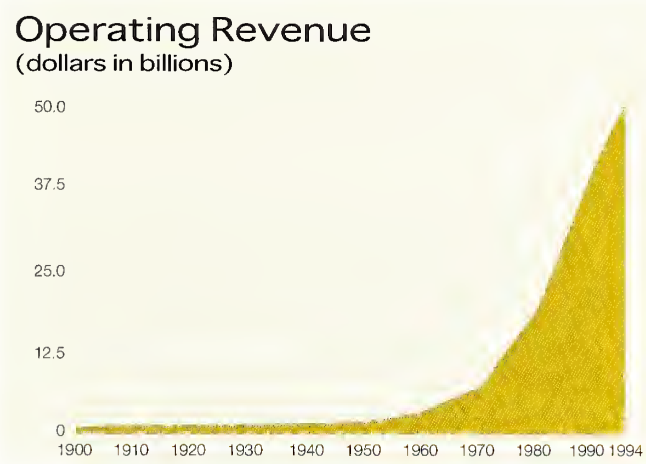
5th Generation

Tony and Melissa, my son and daughter, may very well carry on the family tradition...and help the Postal Service meet its goals in the 21st century. In the years ahead, my children will see — and be a part of — important new changes that will take place faster and be more far reaching than anything we have seen before. The next generation of technological improvements is just around the corner, and they will provide the speed, timeliness, and accuracy of service that no competitor can match. We are a wonderful company and, as long as we continue to do a good job and meet customer needs, I feel very confident about our future.

Confident about our future

The United States Postal Service and mail are big business. If it were a private company, the Postal Service would be the nation's 11th largest corporation, with total revenues exceeding $49 billion in 1994.

Each of the Postal Service's seven product lines would qualify as a Fortune 200 company on its own. Correspondence and transactions is a $24.5 billion business. Business advertising is a $12.7 billion business. Expedited delivery is a $2.9 billion business and standard package delivery is a $2 billion business. International mail is a $1.4 billion business. Publications delivery is a $1.7 billion business and, finally, retail is a $3 billion business.

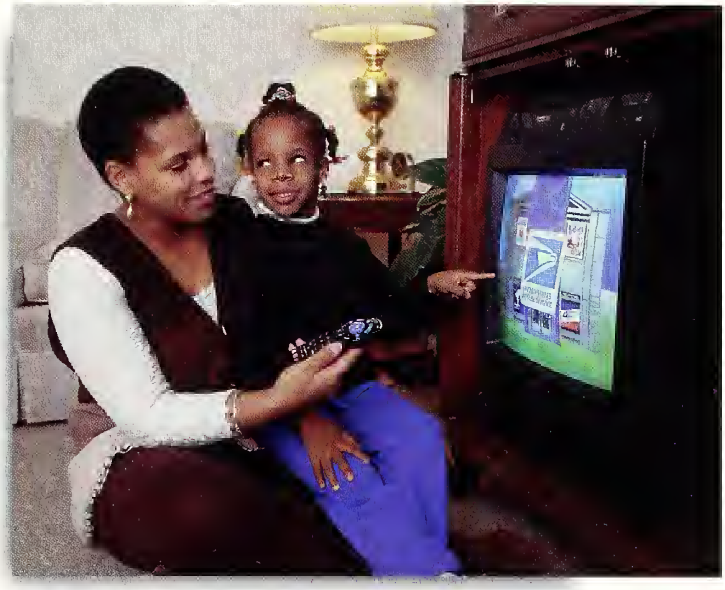


The Postal Service and the mailing industry built these businesses together, taking advantage of the technology and the products that customers need today and will need in the future.

In fact, the next generation of improvements in our technology is just around the corner. These changes will let us automate virtually all the mail and will improve the speed and accuracy of our service. Well into the 21st century, our products will be recognized as the best value in America, and we will be the most effective and productive service in the federal government and the markets that we serve.

And, along the emerging information superhighway, the Postal Service has the equity and the experience in a generation of services that will be needed for electronic commerce, including privacy, security, and certification.

Because our future looks bright



Electronic commerce via interactive TV

Information readers and transmitters lift data from Business and Courtesy Reply cards

As the Postal Service continues as the leader in the delivery of hard copy communications, it also looks at new opportunities to use its technology to create new products and services.

To meet this challenge, the Postal Service is focusing on three strategies: improving the existing mail flow by creating new mail services; identifying and creating new services in the arena of electronic commerce; and positioning the Postal Service to provide the next generation of communications products.

This commitment to meet changing customer needs and expectations is demonstrated by a number of current initiatives that the Postal Service is exploring and testing.

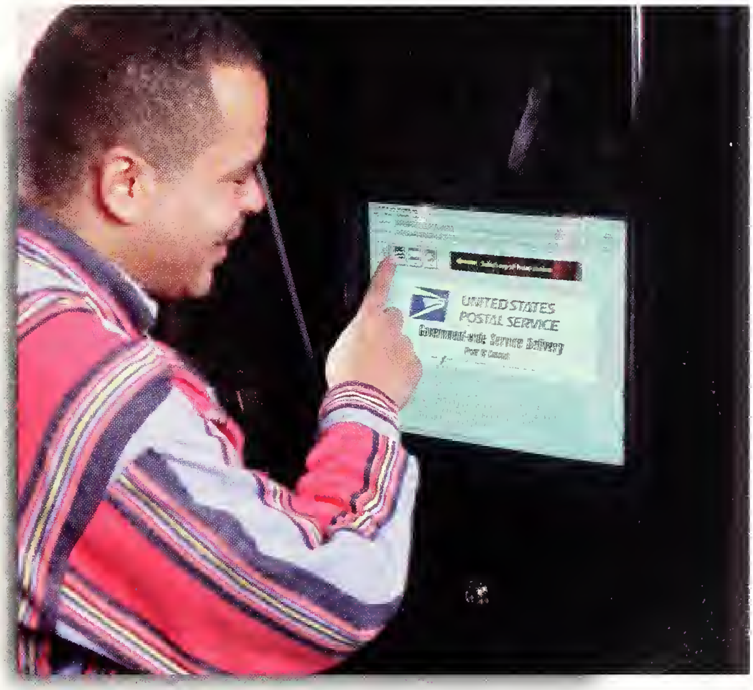
- In the field of electronic commerce, the Postal Service is working with other federal agencies and businesses in the private sector to evaluate services such as certification, authentication, encryption, "electronic postmarks," and other value-added services. These services would be based on the Postal Service's established role as a trusted third party to maintain security and protect individual privacy.

■ Business and Courtesy Reply card scanning is a service which reads customer information from reply cards at the originating post office. The data is electronically transmitted to the business, enabling it to act on the information within a matter of hours.

■ The Postal Service is testing the ability to read utility meters from postal vehicles as the letter carriers navigate the streets on their routes. One day, the Postal Service may routinely perform this service for utilities and use this revenue to help hold down the cost of postage.

■ As part of Vice President Al Gore's call to "reinvent government," the Postal Service is leading an interagency effort to electronically provide government information and services to the public. Working with federal, state, and local entities, the Postal Service has developed an interactive "citizens kiosk" that provides a single point of contact for government service. The kiosks ensure fast, easy, and universal access for all people.

On-board processor and transceiver collect data from utility meters



Government information provided electronically through interactive kiosks

Governors of the United States Postal Service

The Board of Governors, in the operations center of the new high-tech Network Operations Management System at Postal Service Headquarters in Washington, DC, includes (seated front to back): Sam Winters and Tirso del Junco, M.D. Standing, front to rear: Robert Setrakian, LeGree S. Daniels, Einar V. Dyhrkopp, Norma Pace, Bert H. Mackie, and Susan E. Alvarado. David F. Harris, standing beside Governor Alvarado, is full-time Secretary for the Board of Governors.

The Postal Service Board of Governors is an 11-member board comparable to the board of directors of a publicly owned corporation.

Nine of the governors are appointed by the president with the advice and consent of the Senate. They, in turn, select a Postmaster General, and those 10 select a Deputy Postmaster General to also serve on the board.

The board directs and controls expenditures of the Postal Service, reviews its practices, joins in long-range planning, and sets policies on all postal matters.

The board meets monthly in Washington, DC, and other cities across the United States.

Sam Winters, *Chairman of the Board of Governors*, was appointed to serve on the board in November 1991 for a term expiring in December 1999. He is a member of the law firm of Clark, Thomas & Winters, and a member of the board of directors of the First Interstate Bank of Texas.

Tirso del Junco, M.D., *Vice Chairman of the Board of Governors*, was appointed to the board in July 1988 for a term that expired in December 1991 and was reappointed to another full term expiring in December 2000. He is chairman of the board's Audit Committee, a Los Angeles surgeon, and serves as a member of the board of regents of the University of California.

Susan E. Alvarado was appointed in July 1988 to serve on the board for a term expiring in December 1996. She is a partner of Alvarado & Gerken, a government relations consulting firm.

LeGree S. Daniels was appointed to the board in August 1990 for a term expiring in December 1998. She is a member of the Penn State University Board of Advisors, Harrisburg campus, and formerly served as the U.S. Department of Education's Assistant Secretary for Civil Rights from 1987 to 1989.

Einar V. Dyhrkopp was appointed to the board on November 24, 1993, for a term expiring in December 2001. He is president and founder of Tecumseh International Corporation, a coal-marketing firm; a farmer; and is active in local banks.

Bert H. Mackie was appointed in December 1988 to be a governor for a term expiring in December 1997. He served as Chairman of the Board of Governors from January 1993 to January 1994. He is currently president of the Security National Bank of Enid, Oklahoma, as well as a member of its board of directors.

Norma Pace was appointed to the board in May 1987 for a term expiring in December 1994. She served as Chairman of the Board of Governors from January 1991 to January 1993. She is Senior Economic Advisor and Director of The WEFA Group. As provided by law, she will continue to serve on the board for up to one year or until a successor is appointed by the president.

Robert Setrakian was appointed to the board in December 1985 for a term expiring in December 1993. As provided by law, he continued to serve on the board until December 8, 1994. He served as Chairman of the Board of Governors from January 1989 to January 1991. He is president and chairman of the William Saroyan Foundation, director of F.N. Financial Corporation, and director of First Nationwide Bank.

Also members of the Board of Governors:

Marvin Runyon was named 70th Postmaster General of the United States in May 1992 by the nine presidentially appointed members of the Board of Governors. Prior to his appointment, he served as chairman of the Tennessee Valley Authority.

Michael S. Coughlin, a career postal employee, was appointed Deputy Postmaster General by the board in January 1987, after holding a series of top-level postal management positions. As a ranking official in the U.S. Postal Service, he is the chief of staff for the Postmaster General.

Changes during the year:

Crocker Nevin, whose second term as a governor expired in December 1992, continued to serve on the board beyond the expiration of his term, until November 23, 1993, as provided by law.

Officers of the United States Postal Service

At the center of the Union Station Postal Store in Washington, DC, are Deputy Postmaster General Michael S. Coughlin (left) and William J. Henderson, Chief Operating Officer and Executive Vice President.

David C. Bakke
Vice President, Area Operations
Southeast Area

William J. Brown
Vice President, Area Operations
Midwest Area

James A. Cohen
Judicial Officer

Michael S. Coughlin
Deputy Postmaster General

William J. Dowling
Vice President
Engineering

Mary S. Elcano
Senior Vice President and
General Counsel

Nancy L. George
Vice President, Area Operations
Northeast Area

William J. Good
Vice President, Area Operations
Great Lakes Area

Robert F. Harris *
Vice President
Diversity Development

William J. Henderson
Chief Operating Officer and
Executive Vice President

Suzanne J. Henry **
Vice President
Employee Relations

Gene R. Howard
Vice President, Area Operations
Pacific Area

Kenneth J. Hunter
Chief Postal Inspector

Allen R. Kane
Vice President
Operations Support

John F. Kelly
Vice President, Area Operations
New York Metro Area

Charles K. Kernan
Vice President, Area Operations
Southwest Area

Norman E. Lorentz
Vice President
Quality

Joseph J. Mahon, Jr.
Vice President
Labor Relations

Henry A. Pankey
Vice President, Area Operations
Mid-Atlantic Area

M. Richard Porras
Vice President
Controller

Darrah C. Porter
Vice President
Purchasing

Diane M. Regan
Vice President
Operations Redesign

Robert A. F. Reisner
Vice President
Technology Applications

Michael J. Riley
Chief Financial Officer and
Senior Vice President

Ann McK. Robinson
Vice President and
Consumer Advocate

Marvin Runyon
Postmaster General and
Chief Executive Officer

Loren E. Smith
Chief Marketing Officer and
Senior Vice President

Gail G. Sonnenberg
Vice President
Marketing Systems

Larry M. Speakes
Vice President
Corporate Relations

Jon Steele
Vice President, Area Operations
Allegheny Area

Rudolph K. Umscheid
Vice President
Facilities

Craig G. Wade
Vice President, Area Operations
Western Area

James C. Walton
Vice President
Workforce Planning and
Service Management

John R. Wargo
Vice President
Sales

Richard D. Weirich
Vice President
Information Systems

Open
Vice President
Product Management

Open
Vice President
Legislative Affairs

Served as Vice President, Legislative Affairs, until December 1, 1994.

*** Named Manager, William F. Bolger Management Academy, effective December 1, 1994.*

Financial Statements

The final numbers for fiscal year 1994 show we beat one of the toughest, most aggressive budgets in our history...and we beat it by a wide margin.

Although we ended the year with a net loss of $914 million, that is $430 million less than our expected loss of $1.344 billion. Our results for the year were significantly improved by management's aggressive actions in lowering workers' compensation expenses by reducing the number of employees on the workers' compensation rolls. The $327 million fiscal year 1994 expense decreased from fiscal year 1993 by more than $600 million.

Certainly, there is no such thing as a good loss. But every postal employee should take great pride in our ability to pull together to meet and surpass a goal that many thought was unattainable.

Our overall volume of 177 billion pieces grew 3.4 percent, or 5.8 billion pieces, over last year. This was driven by a 5.5 percent growth in third-class mail and a 2.4 percent growth rate in First-Class Mail volume.

Michael J. Riley, Chief Financial Officer and Senior Vice President

Operating revenue was $49.4 billion, an increase of $1.8 billion over 1993. This represents a solid 3.8 percent growth over last year, despite a $329 million shortfall in funding provided by Congress for processing and delivery of nonprofit mail.

Operating expenses were $48.5 billion and exceeded the budget by $71 million, or 0.1 percent. Compared to last year, expenses were up 4.6 percent.

In summary, our financial performance for the year — along with the continuing growth in mail volume and operating revenue — forms a strong foundation for achieving our financial and service goals for fiscal year 1995.

Financial and Operating Highlights

	Year Ended Sept. 30, 1994	Year Ended Sept. 30, 1993	Year Ended Sept. 30, 1992	Year Ended Sept. 30, 1991	Year Ended Sept. 30, 1990
Pieces of mail (millions)	177,062	171,220	166,443	165,851	166,301
Percent change	3.4	2.9	0.4	−0.3	2.9
(dollars in millions)					
Revenue from operations	$49,252	$47,418	$46,151	$43,323	$39,201
Percent change	3.9	2.7	6.5	10.5	3.2
Public service appropriation	$ 0	$ 0	$ 0	$ 0	$ 0
Revenue forgone appropriation*	$ 131	$ 164	$ 545	$ 562	$ 453
Percent change	−20.1	−69.9	−3.0	24.1	3.9
Total operating expenses****	$48,455	$46,321	$45,653	$43,291	$40,490
Percent change****	4.6	1.5	5.5	6.9	5.5
Interest expense on unfunded retirement liabilities****	($ 1,336)	($ 1,346)	($ 1,269)	—	—
Other interest expense, net of interest income	($ 506)	($ 286)	($ 310)	($ 253)	($ 38)
(Loss) income, before retroactive assessments and extraordinary item	($ 914)	($ 371)	($ 536)	$ 341	($ 874)
Retroactive assessment OBRA 1990	—	—	—	($ 1,810)	—
Retroactive interest assessment OBRA 1993	—	($ 857)	—	—	—
Extraordinary item — debt refinancing premium	—	($ 537)	—	—	—
Net loss	($ 914)	($ 1,765)	($ 536)	($ 1,469)	($ 874)
Fixed assets (net of depreciation)**	$16,220	$15,535	$14,696	$13,109	$11,523
Percent change	4.4	5.7	12.1	13.8	11.5
Net capital deficiency	($ 5,962)	($ 5,048)	($ 3,283)	($ 2,747)	($ 1,278)
(in units indicated)					
U.S. resident population July 1 estimate (in millions)***	260.7	257.9	253.6	250.9	248.2
Percent change	1.1	1.7	1.1	1.1	1.0
Pieces of mail per capita	679	664	656	661	670
Percent change	2.3	1.2	−0.8	−1.3	1.8
Operating revenue per capita	$ 188.95	$ 183.86	$ 181.98	$ 172.67	$ 157.94
Percent change	2.8	1.0	5.4	9.3	2.2
Operating expense per piece of mail****	27.37¢	27.05¢	27.43¢	26.10¢	24.35¢
Percent change****	1.2	−1.4	5.1	7.2	2.6
Operating revenue per piece of mail	27.82¢	27.69¢	27.73¢	26.12¢	23.57¢
Percent change	0.4	−0.1	6.2	10.8	0.3
Net loss per piece of mail	(0.52¢)	(1.03¢)	(0.32¢)	(0.89¢)	(0.53¢)
Career employees	728,944	691,723	725,290	748,961	760,668
Percent change	5.4	−4.6	−3.2	−1.5	−2.2

* *Revenue forgone is that revenue given up or "forgone" by the Postal Service as a result of providing mail service at a reduced rate. This revenue loss is reimbursed to the Postal Service by an annual appropriation of Congress, as specified in the 1970 Postal Reorganization Act, as amended by the Revenue Forgone Reform Act of 1993.*

** *Fiscal Year 1990 - 1991 data recast to include construction in progress.*

*** *1990 data recast to reflect 1990 census information.*

**** *Beginning in 1992, interest on unfunded liabilities is presented separately. Such amounts for the prior years are included in the total operating expenses. Prior years are not comparable.*

Financial Statements
Balance Sheets

	September 30, 1994	1993
	(dollars in millions)	
Assets		
Current assets		
Cash and cash equivalents	$ 1,418.8	$ 1,473.6
U.S. Government securities, at cost which approximates current value	1.7	1,748.8
Receivables		
Foreign countries	635.0	561.1
U.S. Government	96.6	108.9
Consignment	31.1	103.3
Other	204.4	150.4
	967.1	923.7
Less allowances	86.0	58.3
Total receivables, net	881.1	865.4
Supplies, advances, and prepayments	381.4	390.3
Total current assets	2,683.0	4,478.1
Other assets, principally revenue forgone appropriations receivable — Note 5	266.0	202.5
Property and equipment, at cost		
Buildings	11,279.5	9,970.5
Equipment	8,217.3	7,219.5
Land	1,900.5	1,715.2
	21,397.3	18,905.2
Less allowances for depreciation	6,865.9	6,106.9
	14,531.4	12,798.3
Construction in progress	1,425.6	2,503.5
Leasehold improvements, net of amortization	262.9	232.7
Total property and equipment, net	16,219.9	15,534.5
Deferred retirement costs — Note 4	27,246.7	27,066.0
	$ 46,415.6	$ 47,281.1

See accompanying notes to financial statements.

Generations

The Wymer-Lonsinger family

Nearly 100 years of postal tradition for the Wymer family began in 1897, when Fred J. Wymer (right) — great-grandfather of Tim Lonsinger (lower right) — launched a 45-year career as a letter carrier out of the Oak Park, Illinois, Post Office.

When Fred Wymer retired in 1942, his son, John P. Wymer (below), already had six years of service as a carrier at

the same Oak Park office. In 1944, John Wymer and his wife moved to Glendale, CA, where he later served as president of Branch 1983 of the National Association of Letter Carriers.

"One of the things my grandfather was most proud of was the campaign he chaired in 1953 to make the residents of Glendale more 'flag conscious'," says Tim Lonsinger. "He and his fellow carriers began a 'Display the Flag' campaign in May of that year and continued it up to the Fourth of July. They sold more than 5,000 flags."

"My mother, Patricia (Wymer) Lonsinger, continued the tradition in Burbank, CA,

in the early 1970s, and first worked on the old single-position letter sorting machines. She is now the general clerk for more than 500 Tour I employees at the Van Nuys, CA, Post Office.

"As a member of the fourth postal generation in my family, I am living the 'American dream'," says Tim, who has been a letter carrier out of the North Hollywood, CA, Post Office for almost eight years. "I have a good job, a wife, two daughters, and a home."

Financial Statements

Balance Sheets

	September 30, 1994	September 30, 1993
	(dollars in millions)	
Liabilities and Net Capital Deficiency		
Current liabilities		
Compensation and benefits	$ 4,433.5	$ 3,933.7
Estimated prepaid postage	1,567.4	1,529.4
Payables and accrued expenses		
Foreign countries	832.9	714.4
U.S. Government	329.7	329.8
Other	1,119.7	697.1
Total payables and accrued expenses	2,282.3	1,741.3
Prepaid permit mail and box rentals	1,289.6	1,175.1
Outstanding postal money orders	831.5	698.2
Current portion of long-term debt	1,260.9	1,062.0
Total current liabilities	11,665.2	10,139.7
Long-term debt, less current portion (current value of $7,825.9 million in 1994 and $9,534.8 million in 1993) — Note 6	7,726.7	8,686.3
Other liabilities		
Amounts payable for retirement benefits — Note 4	26,013.6	25,915.3
Workers' compensation costs — Note 1	4,326.2	4,500.0
Retroactive assessments payable to the U.S. Government — Note 2	899.9	1,528.4
Employees' accumulated leave	1,513.6	1,398.1
Other	231.9	161.0
	32,985.2	33,502.8
Commitments and contingencies — Notes 7 and 8		
Net capital deficiency		
Capital contributions of the U.S. Government	3,033.9	3,034.1
Deficit since reorganization	(8,995.4)	(8,081.8)
Total net capital deficiency	(5,961.5)	(5,047.7)
	$ 46,415.6	$ 47,281.1

See accompanying notes to financial statements.

Financial Statements

Statements of Operations and Changes in Net Capital Deficiency

	Years ended September 30, 1994	1993
	(dollars in millions)	
Operating revenue — Note 5	$ 49,383.4	$ 47,582.0
Operating expenses		
Compensation and benefits — Notes 1, 3 and 4	39,608.8	38,447.7
Other	8,846.4	7,873.9
	48,455.2	46,321.6
Income from operations	928.2	1,260.4
Interest and investment income	193.4	404.2
Interest expense on unfunded retirement liabilities — Note 4	(1,336.4)	(1,345.9)
Interest expense on borrowings	(601.5)	(620.2)
Imputed interest on OBRA 1990 and OBRA 1993 retroactive assessments for employee benefits — Note 2	(97.3)	(69.9)
Loss before OBRA 1993 retroactive interest assessment and extraordinary item	(913.6)	(371.4)
OBRA 1993 retroactive interest assessment — Note 2	—	(857.0)
Loss before extraordinary item	(913.6)	(1,228.4)
Extraordinary item — debt refinancing premium — Note 6	—	(536.5)
Net loss	(913.6)	(1,764.9)
Net capital deficiency — beginning of year	(5,047.7)	(3,283.1)
Capital equipment transfers (to) from the U.S. Government	(0.2)	0.3
Net capital deficiency — end of year	($ 5,961.5)	($ 5,047.7)

See accompanying notes to financial statements.

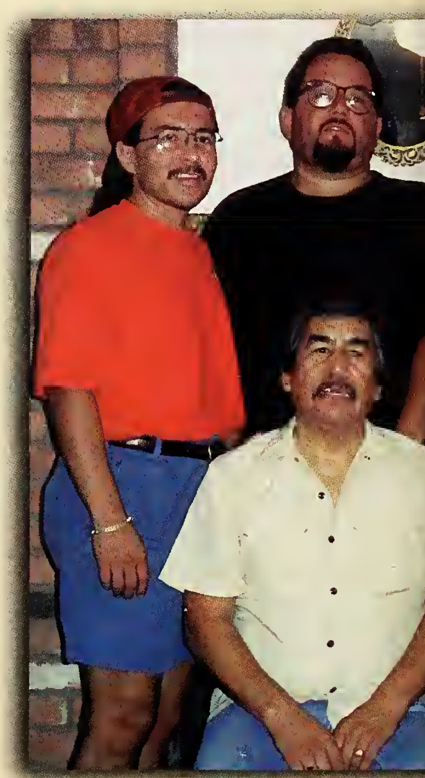
Generations

The Villa family

The Villa family, the Postal Service, and the State of Arizona have grown together since 1912, when Rafael Robles Villa (right) first carried mail and supplies from Phoenix to Fort McDowell, near present day Scottsdale.

Today, his four great-grandsons carry on the postal tradition: Letter carriers Richard and Ronnie Villa deliver mail under the same desert sun, while clerks Ralph James and Rojelio Villa use high-tech machinery and computerized systems to process mail.

Grandfather Ralph Madrid Villa kept the tradition alive, becoming a mail handler in Phoenix. He retired in Sacramento, CA, in 1978, well after his own son — Ralph Yanez Villa —



had established his postal career as a Phoenix clerk in 1966. Pictured below are the three living generations of the Villa family (standing, left to right): Ralph J., Ronnie, Richard, and Rojelio Villa. Seated (left to right) are their father, Ralph Yanez Villa, and grandfather, Ralph M. Villa.

Financial Statements

Statements of Cash Flows

	Years ended September 30, 1994	1993
	(dollars in millions)	
Cash flows from operating activities:		
Net loss	($ 913.6)	($ 1,764.9)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Extraordinary item — debt refinancing premium	—	536.5
Depreciation and amortization	991.9	888.7
Loss (gain) on sales of investments, net	0.1	(166.0)
Loss on disposals of property and equipment, net	23.6	61.1
Increase in other assets, principally revenue forgone appropriations receivable	(63.5)	(41.7)
Increase in retirement costs, net of retirement benefits payable	—	(0.5)
Decrease in accrued restructuring costs	(92.4)	(891.4)
(Decrease) increase in workers' compensation costs	(173.8)	456.7
(Decrease) increase in retroactive assessments payable to the U.S. Government	(374.7)	548.9
Increase in employees' accumulated leave	115.5	72.8
Increase in other liabilities	70.9	82.0
Changes in current assets and liabilities:		
Increase in receivables, net	(15.7)	(80.5)
Decrease in supplies, advances and prepayments	8.9	3.0
Increase in compensation and benefits	163.6	408.0
Increase in estimated prepaid postage	38.0	28.4
Increase in payables and accrued expenses	633.4	370.8
Increase in prepaid permit mail and box rentals	114.5	129.7
Increase in outstanding postal money orders	133.3	65.5
Net cash provided by operating activities	660.0	707.1
Cash flows from investing activities:		
Purchase of U.S. Government securities	(10,450.0)	(47,069.5)
Proceeds from sale of U.S. Government securities	12,217.5	50,032.5
Purchase of property and equipment	(1,726.5)	(1,885.0)
Proceeds from sale of property and equipment	4.9	65.7
Net cash provided by investing activities	45.9	1,143.7
Cash flows from financing activities:		
Issuance of long-term debt	300.0	5,000.0
Payments on long-term debt	(1,060.7)	(5,712.3)
Net cash used in financing activities	(760.7)	(712.3)
Net (decrease) increase in cash and cash equivalents	(54.8)	1,138.5
Cash and cash equivalents at beginning of year	1,473.6	335.1
Cash and cash equivalents at end of year	$ 1,418.8	$ 1,473.6

See accompanying notes to financial statements.

Financial Statements

Statements of Operations and Changes in Net Capital Deficiency

	Years ended September 30, 1994	1993
	(dollars in millions)	
Operating revenue — Note 5	$ 49,383.4	$ 47,582.0
Operating expenses		
Compensation and benefits — Notes 1, 3 and 4	39,608.8	38,447.7
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Financial Statements

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Depreciation and amortization	991.9	888.7
Loss (gain) on sales of investments, net	0.1	(166.0)
Loss on disposals of property and equipment, net	23.6	61.1
Increase in other assets, principally revenue forgone appropriations receivable	(63.5)	(41.7)
Increase in retirement costs, net of retirement benefits payable	—	(0.5)
Decrease in accrued restructuring costs	(92.4)	(891.4)
(Decrease) increase in workers' compensation costs	(173.8)	456.7
(Decrease) increase in retroactive assessments payable to the U.S. Government	(374.7)	548.9
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See accompanying notes to financial statements.

Notes to Financial Statements

September 30, 1994 and 1993

1. Postal Reorganization and Accounting Policies

Postal Reorganization

The United States Postal Service (Postal Service) commenced operations on July 1, 1971, in accordance with the provisions of the Postal Reorganization Act. Its initial capital consisted of the equity of the Government of the United States in the former Post Office Department, with assets carried at original cost less depreciation. All liabilities attributable to operations of the former Post Office Department remained liabilities of the U.S. Government, except that the unexpended balances of appropriations made to, held or used by, or available to the former Post Office Department and all liabilities chargeable thereto became assets and liabilities, respectively, of the Postal Service.

Cash Equivalents

Cash equivalents include securities with maturities at date of purchase of 90 days or less.

Property and Equipment

Property and equipment are recorded at cost, including interest on funds borrowed to finance the construction of major capital additions. Such interest amounted to $77.7 million in fiscal year 1994 and $115.3 million in fiscal year 1993. Buildings and equipment are depreciated over their estimated useful lives using the straight-line method. Leasehold improvements are amortized over the lesser of the lease period or their useful lives.

Estimated Prepaid Postage

Estimated prepaid postage represents the estimated amount of revenue collected prior to the end of the year for which services will be performed in the following year.

Compensation and Benefits

Amounts payable for compensation and benefits consist of current liabilities for costs related to current employees and postal annuitants. Such liabilities include those arising from current salaries and benefits earned but not yet paid, currently payable workers' compensation costs, unemployment costs, annuitants' health benefits payable and current portions of retirement liabilities. As a part of management's continuing evaluation of estimates required in the preparation of its financial statements, additional liabilities of approximately $150 million were recorded in fiscal year 1993 to recognize increases in the estimated cost of personnel-related liabilities incurred prior to 1993.

Retirement Benefits

Amounts payable for retirement benefits reflect the net present value of the Postal Service's legal obligation to the Civil Service Retirement and Disability Fund (the CSRS Fund) arising from increases in basic pay granted by postal management to its employees and cost-of-living adjustments (COLAs) to postal annuitants based on postal service. Also included in this total for fiscal year 1993 is the net present value of an unfunded liability arising from the transfer of Civil Service Retirement System (CSRS) employees into the Federal Employees Retirement System (FERS). The liability arising from this transfer was deemed liquidated by OPM as of September 30, 1994 due to a reassessment of funding requirements. These liabilities are payable in equal amounts over a 30-year period, with the exception of COLAs, which are payable over 15 years. Amounts due and payable in future years are capitalized as deferred retirement costs and are subsequently amortized over periods of 30 and 15 years. The Postal Service's participation in the retirement plans is accounted for as participation in multi-employer plan arrangements. Accordingly, retiree benefits costs are expensed as incurred.

Post-Retirement Health Benefits

Retiree health benefits costs represent the Postal Service's obligation to pay a portion of the health insurance premiums of retirees (and their survivors) participating in the Federal Employees Health Benefits Program (FEHBP). The Postal Service's participation in the FEHBP is accounted for as participation in a multi-employer plan arrangement. Accordingly, retiree health benefits costs are expensed as incurred.

Workers' Compensation Costs

Workers' compensation costs are self-insured by the Postal Service and administered by the Department of Labor (DOL). Such costs, which include both medical and wage continuation costs, are recorded as an operating expense in the year of injury at the present value of the total estimated costs of claims. Estimates of the total costs of claims are based upon severity of injury, age, assumed mortality, experience trends and other factors. In fiscal year 1993, management adopted changes in the net discount rates used in determining the present value of estimated future workers' compensation payments. The net discount rate for compensation claims was increased to 3.0 percent from 2.7 percent; the net discount rate for medical claims was decreased to 0.1 percent from 1.1 percent. The net effect of the adoption of these rates was accounted for as a change in accounting estimate, and accordingly resulted in a net decrease of $23.6 million in the fiscal year 1993 compensation and benefits expense. In management's opinion, these net discount rates better reflect the excess of future rates of return on postal investments over expected future inflation rates for each type of claim.

As a result of management actions taken to reduce the number of claimants on workers' compensation rolls, and improvements made in the Department of Labor's medical claims review systems, workers' compensation expense significantly decreased from $945 million in 1993 to $327 million in 1994. The 1994 expense of $327 million was $868 million better than plan due to an actual reduction in the long-term workers' compensation liability versus a budgeted increase in the liability. The total workers' compensation liability decreased by $174 million from $5,034 million at September 30, 1993, to $4,860 million at September 30, 1994, due primarily to the successful implementation of workers' compensation claims management programs.

Research and Development Costs

Research and development costs, which relate primarily to new equipment design, are expensed as incurred. Such costs amounted to $50.4 million in fiscal year 1994 and $57.5 million in fiscal year 1993.

Current Values of Financial Instruments

Current values of investments in non-marketable U.S. Government securities are based on the current values of equivalent marketable U.S. Government securities. Current values of Postal Service debt obligations are based on the estimated cost to retire the debt utilizing current yields on equivalent U.S. Treasury obligations.

Supplies, Advances and Prepayments

Supplies, advances and prepayments are comprised primarily of supplies inventory, motor vehicles inventory, repairable parts inventory for mail processing equipment, and annual leave advances. Inventories are stated at the lower of average cost or market and amounted to $176 million and $169 million in 1994 and 1993, respectively.

Reclassifications

Certain reclassifications have been made to previously reported amounts in order to conform to the current year presentation.

2. Retroactive Assessments for Employee Benefits

Omnibus Budget Reconciliation Act of 1990

The Omnibus Budget Reconciliation Act (OBRA) of 1990, enacted in October 1990, extended the Postal Service's obligation to pay the employer's portion of annuitant COLAs (Note 4) and health benefits (Note 3). The OBRA of 1990 also assessed the Postal Service for retroactive amounts to be paid in five annual installments, beginning in fiscal year 1991, totaling $2.14 billion. The assessment represents the employer's portion of annuitant COLAs and health benefits, previously paid by the U.S. Government, that the Postal Service would have paid had the provisions of the OBRA of 1990 been in effect from July 1, 1971, through September 30, 1986.

The retroactive assessments payable under the OBRA 1990, on a present value basis, are as follows (dollars in millions):

Fiscal Year	Health Benefits	COLAs	Total
1991	$ 56.0	$216.0	$ 272.0
1992	47.0	266.0	313.0
1993	62.0	316.0	378.0
1994	56.0	416.0	472.0
1995	234.0	471.0	705.0
			2,140.0
Less amount representing imputed interest at 5 percent			329.9
Retroactive assessment for employee benefits expensed in 1991			1,810.1
Less installments paid through 1994			1,138.7
1995 installment classified as a current liability in compensation and benefits			$ 671.4

Omnibus Budget Reconciliation Act of 1993

The OBRA of 1993, enacted in August 1993, obligated the Postal Service to pay interest on the retroactive assessments due under the OBRA of 1990. The interest assessment will be paid in three annual installments, beginning in fiscal year 1996, totaling $1.041 billion. The assessment represents interest, at 5 percent, on the employers portion of annuitant COLAs and health benefits, previously paid by the U.S. Government, that the Postal Service would have paid had the provisions of the OBRA of 1990 been in effect from July 1, 1971, through September 30, 1986.

The amounts payable under the OBRA 1993, on a present value basis, are as follows (dollars in millions):

Fiscal Year	Health Benefits	COLAs	Total
1996	$116.0	$231.0	$ 347.0
1997	116.0	231.0	347.0
1998	116.0	231.0	347.0
			1,041.0
Less amount representing imputed interest at 5 percent			184.0
Retroactive interest assessment expensed in 1993			857.0
Add amount of imputed interest expensed in 1994			42.9
Retroactive interest assessment classified as a noncurrent liability			$ 899.9

3. Post-Retirement Health Benefit Programs

Career employees of the Postal Service are eligible to participate in the FEHBP, which is administered by the Office of Personnel Management (OPM), during their employment and also after retirement. Under the FEHBP, the Postal Service pays a portion of the health insurance premiums of participating employees, retirees and their survivors.

The OBRA of 1990 requires the Postal Service to pay the employer's share of health insurance premiums incurred through participation in the FEHBP for all employees retiring on or after July 1, 1971, and their survivors, with the exclusion of costs attributable to Federal civilian service prior to that date. Such costs amounted to $519 million in fiscal year 1994 and $510 million in fiscal year 1993 and are included in compensation and benefits expense.

As discussed in Note 2, the OBRA of 1990 also required the Postal Service to reimburse the U.S. Government for annuitants' health benefits costs paid prior to the enactment of the law.

4. Retirement Programs

Description of Plans

The Postal Reorganization Act provided that officers and career employees of the Postal Service were to be covered by the CSRS, which provides a basic annuity and Medicare coverage. Substantially all employees hired prior to January 1, 1984, are covered by the CSRS. The Postal Service and each participating employee contribute an amount equal to 7 percent of the employee's basic pay to the Civil Service Retirement and Disability Fund (CSRS Fund) and also make Medicare contributions at the statutorily prescribed rate. The Postal Service makes no matching contributions to the Thrift Savings Plan for CSRS employees.

Employees hired between January 1, 1984, and January 1, 1987, were covered by the provisions of the Dual CSRS/Social Security System until January 1, 1987. Certain employees with prior government service continue to be covered by such provisions. The Postal Service contributes an amount equal to 7 percent of each employee's basic pay to the CSRS Fund. The employee contribution rate is 0.8 percent of basic pay. Both the Postal Service and the employee make contributions for Social Security and Medicare at the statutorily prescribed rates. The Postal Service makes no matching contributions to the Thrift Savings Plan for Dual CSRS/Social Security System employees.

Effective January 1, 1987, employees hired since January 1, 1984, except as noted above, are subject to the provisions of the Federal Employees Retirement System (FERS) Act of 1986. In addition, employees hired prior to January 1, 1984, were able to elect participation in FERS during certain periods in fiscal years 1987 and 1988. FERS is a three-tier retirement system consisting of Social Security, a basic annuity plan and a thrift savings plan.

The Postal Service made contributions to the FERS basic annuity plan in an amount equal to 12.9 percent of each employee's basic pay in fiscal years 1994 and 1993. The employee contribution rate was 0.8 percent of basic pay in both years. Both the Postal Service and each employee contribute to Social Security and Medicare at the statutorily prescribed rates. In addition, the Postal Service is required to contribute a minimum of 1 percent per annum of the basic pay of FERS employees to the Thrift Savings Plan. Contributions by FERS employees to the Thrift Savings Plan are voluntary and are fully matched by the Postal Service up to 3 percent of basic pay and at a 50 percent rate between 3 percent and 5 percent of basic pay.

The number of employees enrolled in each of the retirement plans at the end of fiscal years 1994 and 1993 are as follows:

	1994	1993
CSRS	350,811	358,254
Dual CSRS/Social Security	14,658	14,267
FERS	362,339	317,915

Deferred Retirement Costs

Deferred retirement costs consist of the following unfunded liabilities (dollars in millions):

	1994	1993
CSRS basic pay increases	$ 22,884.9	$ 22,809.8
CSRS annuitants' COLAs	4,361.8	3,917.3
FERS	—	338.9
	$ 27,246.7	$ 27,066.0

Unfunded Liability – CSRS

Under the CSRS, the Postal Service is liable for that portion of any estimated increase in the unfunded liability of the CSRS Fund attributable to Postal Service employee-management agreements that authorize increases in employees' basic pay on which benefits payable from the CSRS Fund are computed. The estimated increase in the unfunded liability as determined by OPM is paid by the Postal Service in 30 equal annual installments with interest computed at 5 percent per annum. The first payment thereof is due at the end of the fiscal year in which an increase in the basic pay becomes effective.

The increases in the unfunded liability for retirement benefits pursuant to employee-management agreements under the CSRS in fiscal years 1994 and 1993 were $930.6 million and $731.5 million, respectively.

Unfunded Liability – Annuitants' COLAs

The OBRA of 1990 made the Postal Service liable, on a prospective basis, for the cost of COLAs granted to postal annuitants (and their survivors) retiring on or after July 1, 1971, with the exclusion of costs attributable to Federal civilian service prior to that date. The annual liability created by this law is determined by OPM and funded in equal annual installments over 15 years, with interest at 5 percent per annum. The increase in the unfunded liability for annuitants' COLAs was $868.7 million in fiscal year 1994 and $729.7 million in fiscal year 1993.

Unfunded Liability – FERS

The unfunded liability of the FERS basic annuity plan is related to costs associated with employees who transferred from the CSRS. This liability was determined by OPM, and was funded by the Postal Service through supplemental contributions over a 30-year period with interest computed at 7 percent per annum. In fiscal year 1989, OPM determined the initial supplemental liability under FERS attributable to Postal Service employees at September 30, 1988, to be $400.0 million, with an annual payment of $32.2 million due on September 30 of each year. During 1994, OPM determined that net assets available for benefits attributable to the Postal Service exceeded the accrued liability attributable to postal employees. Accordingly, OPM determined that no payment was due on September 30, 1994, and that the liability is considered to be fully amortized as of that date.

Future Minimum Payments

The estimated future minimum payments required to fund amounts payable for CSRS retirement benefits on September 30, 1994 are as follows (dollars in millions):

Fiscal Year	Amount
1995	$ 2,595.4
1996	2,569.3
1997	2,541.2
1998	2,510.7
1999	2,505.0
Thereafter	29,733.9
	42,455.5
Less the portion classified as a current liability	1,233.1
Less amount representing interest	15,208.8
	$26,013.6

Expense Components

Components of aggregate retirement expenses included in compensation and benefits for fiscal years 1994 and 1993 are shown below (dollars in millions).

	1994	1993
CSRS — regular	$ 830.4	$ 828.1
FERS — regular	1,230.0	1,093.0
FERS — Thrift Savings Plan	339.8	303.5
Dual CSRS/Social Security	33.5	31.1
Social Security	949.7	853.9
Amortization of unfunded liabilities:		
CSRS	855.5	794.6
Annuitant COLAs	424.2	372.7
FERS	—	8.0
	$ 4,663.1	$ 4,284.9

5. Revenue Forgone

Operating revenue includes reimbursements and accruals for revenue forgone. Revenue forgone results from charging lower rates for those mail categories which Congress has determined should be subsidized through tax dollars. Revenue forgone appropriations included in operating revenue in fiscal years 1994 and 1993 amounted to $131 million and $164 million, respectively.

On October 28, 1993, the Revenue Forgone Reform Act (Act) was enacted. The Act authorizes Congress to appropriate $29 million annually through 2035, which will reimburse the Postal Service for earned but unpaid revenue forgone appropriations for 1991, 1992 and 1993, as well as for the cost of phasing out certain aspects of the revenue forgone program in fiscal years 1994 through 1998. In addition, should Congress fail to appropriate an amount authorized, the Act authorizes the Postal Service to adjust rates on the various classes of mail, so that the resulting increase in revenues will equal the amount Congress failed to appropriate.

The transitional appropriations authorized under the Act total $1.218 billion. The present value of these future appropriations, calculated at 7 percent, is approximately $390 million. Management has determined that the present value of the portion of the future appropriations related to unpaid amounts in fiscal years 1991 through 1994 is approximately $265.3 million, including $69.0 million recognized in income in 1994. This amount is recorded as a receivable at September 30, 1994. The receivable recorded at September 30, 1993, related to unpaid amounts at that date was $198 million.

6. Long-Term Debt and Interest Costs

The Postal Reorganization Act, as amended by Public Law 101-227, authorizes the Postal Service to issue and sell obligations not to exceed $15 billion outstanding at any one time. Net annual increases in outstanding obligations are limited to $2 billion for the purpose of capital improvements and $1 billion for operating expenses.

In fiscal year 1993, the Postal Service retired, prior to maturity, $4,463.5 million of notes payable to the FFB. These notes had a weighted average interest rate of 8.76 percent. The Postal Service incurred a debt refinancing premium of $536.5 million, which was recognized as an extraordinary item in fiscal year 1993. The funds for the retirement of the debt were obtained through the issuance of $5.0 billion of new debt.

Annual maturities of outstanding debt for each of the next five years are (dollars in millions):

Fiscal Year	Amount
1995	$ 1,260.9
1996	1,863.2
1997	660.1
1998	2,182.6
1999	85.2
Thereafter	2,935.6

Cash paid for interest was $684.6 million in 1994 and $750.4 million in 1993.

Long-term debt consists of the following (dollars in millions):

Interest Rate (%)	Terms	September 30, 1994	1993
Notes payable to the Federal Financing Bank (FFB):			
8.075	Payable $32 million each year to May 31, 2000	$ 192.0	$ 224.0
7.800	Payable $15 million each year to May 31, 2001	105.0	120.0
7.591	Payable $50 million each year to June 1, 1997, and $22.5 million due on June 1, 1998 (prepaid $677.5 million in fiscal year 1993; original maturity was May 31, 2011)	172.5	222.5
8.474	Payable $30 million each year to June 1, 1998 (prepaid $420 million in fiscal year 1993; original maturity was May 31, 2012)	120.0	150.0
8.908	Payable $35.4 million each year to June 1, 1998 (prepaid $495.6 million in fiscal year 1993; original maturity was May 31, 2012)	141.6	177.0
9.074	Payable $60 million each year to June 1, 1998 (prepaid $840 million in fiscal year 1993; original maturity was May 31, 2012)	240.0	300.0
9.081	Payable $36 million each year to May 31, 1996; $12 million due June 2, 1997	84.0	120.0
8.768*	Payable $24 million on June 2, 1997; payments of $36 million each year on June 1, 1998-1999; and payments of $36 million each year thereafter through May 31, 2001	168.0	168.0
8.488	Payable on October 2, 1995	800.0	800.0
7.786	Payable on September 30, 1998	450.0	450.0
6.618*	Payable $800 million on October 2, 1995, and $400 million on September 30, 1997	1,200.0	2,000.0
4.676	Payable on October 31, 1994	1,000.0	1,000.0
6.307	Payable on October 31, 1997; callable November 30, 1995	1,500.0	1,500.0
7.367	Payable on August 15, 2002; callable November 30, 1997	1,500.0	1,500.0
7.615	Payable on November 30, 2007; callable November 30, 1997	1,000.0	1,000.0
Variable**	Payable on November 15, 2024	300.0	—
Mortgage Notes Payable:			
4.83 to 9.75	Maturing from fiscal years 1995 through 2004, secured by land, buildings and equipment with a carrying amount of $80.2 million (aggregate annual installments approximate $2.5 million)	14.5	16.8
		8,987.6	9,748.3
Less current portion		1,260.9	1,062.0
		$ 7,726.7	$ 8,686.3

* *Weighted average interest rate.*

** *Variable rate of 4.637 percent as of September 30, 1994*

7. Commitments

At September 30, 1994, the estimated cost to complete approved Postal Service capital projects in progress was approximately $1.48 billion.

Total rental expense for the years ended September 30, 1994 and 1993 is summarized as follows (dollars in millions):

	1994	1993
Noncancellable real estate leases including related taxes	$ 555.0	$ 537.5
Facilities leased from General Services Administration subject to 120-day notice of cancellation	38.0	39.4
Equipment and other short-term rentals	148.2	86.5
	$ 741.2	$ 663.4

At September 30, 1994, the future minimum rentals for all noncancellable leases are as follows (dollars in millions):

Year	Total
1995	$ 440.1
1996	360.1
1997	283.0
1998	217.5
1999	151.8
Thereafter	514.5
	$1,967.0

Most of these leases contain renewal options for periods ranging from 3 to 20 years. Certain noncancellable real estate leases have options to purchase the facilities at prices specified in the leases.

8. Contingencies

Several equal employment opportunity, employee compensation, environmental and postal rate class action lawsuits are pending against the Postal Service. In addition, there are certain pending suits and claims resulting from traffic accidents involving postal vehicles and injuries on postal properties, suits involving personal claims and property damages, and suits and claims arising out of postal contracts.

In July 1993, the Merit Systems Protection Board (MSPB) ruled that the restructuring initiated in fiscal year 1992 constituted a reduction-in-force (RIF) as defined by the Code of Federal Regulations. As a result, MSPB found that preference eligible employees who were placed in lower graded positions had been denied their procedural and substantive rights. The Office of Personnel Management (OPM) intervened on behalf of the Postal Service to appeal the decision made by MSPB to the U.S. Court of Appeals. The appeal was pending at September 30, 1993. Management and General Counsel believed that it was probable that the outcome of OPM's appeal would be favorable to the Postal Service; accordingly, no contingency accrual was recorded in fiscal year 1993. In August 1994, the appeals before the U.S. Court of Appeals were withdrawn by the Department of Justice at the request of OPM. As a result, the Postal Service is in the process of complying with the Board's decision regarding preference eligible employees who were placed in lower graded positions.

Management has recorded a liability in fiscal year 1994 for estimated losses resulting from the impact of the Board's decisions, including the resolution of appeals that are currently pending. The liability is based upon compliance cost estimates, assumptions on the number of appeals that ultimately will be filed, and management's and General Counsel's evaluation of the probability that appeals filed by various employee groups will result in losses to the organization. Differences between the assumptions and evaluations made by management and ultimate settlement will impact the liability recorded, and be reflected in future period earnings.

As a part of management's continuing evaluation of estimates required in the preparation of its financial statements, additional liabilities of approximately $80 million were recorded in fiscal year 1993 to recognize increases in the estimated cost of litigation and claims asserted prior to 1993.

In the opinion of management and General Counsel, adequate provision has been made for amounts which may become due under the suits, claims, and proceedings discussed in the preceding paragraphs.

Board of Governors
United States Postal Service

We have audited the accompanying balance sheets of the United States Postal Service as of September 30, 1994 and 1993, and the related statements of operations and changes in net capital deficiency and cash flows for the years then ended. These financial statements are the responsibility of the United States Postal Service's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the United States Postal Service at September 30, 1994 and 1993, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Ernst + Young LLP

Washington, DC
November 15, 1994

Financial History Summary

	1994	1993	1992	1991	1990
Statement of Operations *(dollars in thousands)*					
Operating revenue	$49,252,000	$47,418,000	$46,151,120	$43,322,604	$ 39,201,405
Public service appropriation	0	0	0	0	0
Revenue forgone appropriation	131,400	164,000	544,680	561,868	453,425
Total operating revenue	49,383,400	47,582,000	46,695,800	43,884,472	39,654,830
Compensation and benefits	39,608,800	38,447,700	37,122,030	36,076,230	34,214,093
Restructuring costs	—	129,000	1,010,000	—	—
Other expenses	8,846,400	7,744,900	7,520,848	7,214,553	6,275,791
Total operating expenses	48,455,200	46,321,600	45,652,878	43,290,783	40,489,884
Income (loss) from operations	928,200	1,260,400	1,042,922	593,689	(835,054)
Interest expense on unfunded retirement liabilities**	(1,336,400)	(1,345,900)	(1,268,991)	—	—
Imputed interest on retroactive assessment for employee benefits	(97,300)	(69,900)	(81,432)	(90,507)	—
Interest expense on borrowings, net of income	(408,100)	(216,000)	(228,961)	(161,654)	(38,524)
(Loss) income before retroactive assessments and extraordinary item	(913,600)	(371,400)	(536,462)	341,528	(873,578)
Retroactive assessments for employee benefits					
OBRA 1990	—	—	—	(1,810,142)	—
OBRA 1993	—	(857,000)	—	—	—
Loss before extraordinary item	(913,600)	(1,228,400)	(536,462)	(1,468,614)	(873,578)
Extraordinary item — debt refinancing premium	—	(536,500)	—	—	—
Net loss	($ 913,600)	($ 1,764,900)	($ 536,462)	($ 1,468,614)	($ 873,578)
Balance Sheets					
Assets					
Current assets	$ 2,683,000	$ 4,478,100	$ 6,027,379	$ 4,863,268	$ 4,528,341
Property and equipment, deferred retirement costs, and other assets	43,732,600	42,803,000	41,637,331	38,402,182	32,976,222
Total assets	$46,415,600	$47,281,100	$47,664,710	$43,265,450	$ 37,504,563
Liabilities					
Current liabilities*	$11,665,200	$10,139,700	$ 9,484,223	$ 7,400,104	$ 6,289,805
Other liabilities*	32,985,200	33,502,800	32,290,309	30,473,907	25,824,894
Long-term debt	7,726,700	8,686,300	9,173,294	8,138,375	6,667,530
Net capital deficiency	(5,961,500)	(5,047,700)	(3,283,116)	(2,746,936)	(1,277,666)
Total liabilities and equity	$46,415,600	$47,281,100	$47,664,710	$43,265,450	$ 37,504,563
Analyses of Changes in Net Capital Deficiency					
Beginning balance	($ 5,047,700)	($ 3,283,100)	($ 2,746,936)	($ 1,277,666)	($ 401,629)
Net loss	(913,600)	(1,764,900)	(536,462)	(1,468,614)	(873,578)
Capital equipment transfers	(200)	300	282	(656)	(2,459)
Ending balance	($ 5,961,500)	($ 5,047,700)	($ 3,283,116)	($ 2,746,936)	($ 1,277,666)

* *Certain reclassifications have been made to 1992 amounts to conform to 1993 presentation. Prior years have not been restated due to immateriality.*

** *Beginning in 1992, interest on unfunded retirement liabilities is presented separately. Such amounts for the prior years are included in compensation and benefits. Prior years are not comparable.*

Impact of Revenue Forgone Appropriation* on Revenues, Fiscal Year 1994

Classes of Service	Total Income of Service (dollars in millions)	Income from Revenues	Income from Appropriation	Appropriation as a Percentage of Income
First-Class Mail	$29,395.3	$29,395.3	none	none
Priority Mail	$ 2,648.6	$ 2,648.6	none	none
Express Mail	$ 671.4	$ 671.4	none	none
Mailgram	$ 1.7	$ 1.7	none	none
Second-Class Mail				
Within county	$ 84.2	$ 84.2	none	none
Outside county				
Nonprofit and classroom publications	$ 284.1	$ 284.1	none	none
Regular-rate publications	$ 1,358.9	$ 1,358.9	none	none
Fees	$ 30.2	$ 30.2	none	none
Total Second-Class Mail	$ 1,757.4	$ 1,757.4	none	none
Third-Class Mail				
Single-piece rate	$ 201.5	$ 201.5	none	none
Regular bulk rate	$ 9,046.7	$ 9,046.7	none	none
Nonprofit bulk rate	$ 1,193.2	$ 1,193.2	none	none
Fees	$ 69.8	$ 69.8	none	none
Total Third-Class Mail	$10,511.2	$10,511.2	none	none
Fourth-Class Mail				
Parcels (zone rate)	$ 665.5	$ 665.5	none	none
Bound printed matter	$ 351.8	$ 351.8	none	none
Special rate matter	$ 291.7	$ 291.7	none	none
Library materials	$ 40.4	$ 40.4	none	none
Fees	$ 1.3	$ 1.3	none	none
Total Fourth-Class Mail	$ 1,350.7	$ 1,350.7	none	none
Free mail for the blind and handicapped	$ 61.6	$ 0.0	$ 61.6	100.00
Overseas absentee ballots	$ 0.8	$ 0.0	$ 0.8	100.00
International Mail	$ 1,410.1	$ 1,410.1	none	none
Totals***	$47,808.8	$47,746.4	$ 62.4*	0.1
Net impact of Revenue Forgone Reform Act of 1993			69.0**	
Revenue forgone recognized in 1994			$131.4	

* *Revenue forgone is that revenue given up or "forgone" by the Postal Service as a result of providing mail service at a reduced rate. This revenue loss is reimbursed to the Postal Service by an annual appropriation of Congress, as specified in the 1970 Postal Reorganization Act, as amended by the Revenue Forgone Reform Act of 1993.*

** *In 1993, Congress enacted legislation which altered certain aspects of the revenue forgone program and will reimburse the Postal Service for past amounts due — as well as prospective amounts to be earned through 1998 — over the next 42 years. In 1994, the Postal Service recorded a receivable of $69 million to reflect the net impact of this legislation.*

*** *Totals may not add due to rounding.*

Source of Income

	(dollars in millions)
Mail revenue	$ 47,746
Special services	1,506
Government appropriations for free and reduced rate mail	131
Total operating revenue	49,383
Total operating expenses	48,455
Income from operations	928
Interest and investment income	193
Interest expense — borrowing	(602)
Interest expense — unfunded retirement liability	(1,336)
Imputed interest on retroactive assessment of employee benefits	(97)
Net loss	($ 914)

Analysis of Expenses, Fiscal Year 1994

	(in percent)
Personnel compensation	60.64
Personnel benefits	17.80
Interest on unfunded liabilities	2.65
Vehicle/building maintenance	0.83
Transportation	6.64
Supplies and services	3.20
Rent, communications	1.18
Utilities	0.22
Interest	1.38
Depreciation and write-offs	2.07
Other	3.39
Total	100.00

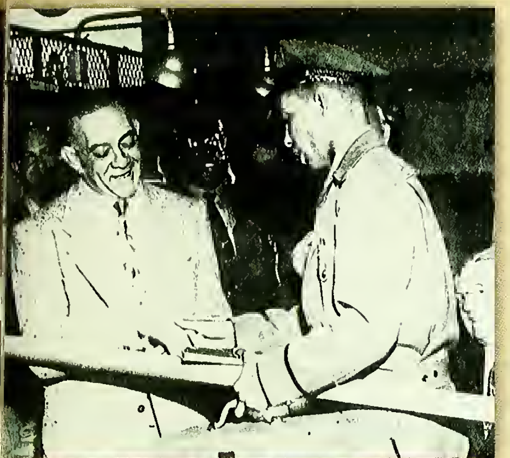
Generations

The Spencer family

The Mar Vista Station husband-wife team of Darrell and Tracy Spencer (below) — both of whom started their careers nine years ago in Los Angeles, CA, as window clerks at the Sunset Station — trace their postal heritage back three generations, when Darrell's grandfather, William V. Spencer, started carrying mail in Los Angeles in the 1920s.

The tradition continued with Darrell's father, Charles A. Spencer, who served 17 years as a letter carrier working out of Wagner Station and also the Los Angeles Main Post Office.

At the same time, Tracy's father, Ferdinand E. DeJan Jr. (in uniform at right), joined the old Post Office Department when he was a teen-



ager and carried mail during the Second World War. That led to a 40-year postal career — 19 years as a letter carrier and 21 years in management — before he finally retired in 1989 as the Los Angeles Northwest Area Manager.

"The Postal Service has really improved over the years...and especially so with the most recent emphasis on customer service," says Darrell.

"We're proud to carry on our families' postal traditions...and we can't go anywhere without our fellow employees remembering our dads," adds Tracy. "It's a great feeling."

Analysis of Mail Volume, Fiscal Year 1994

	(pieces in billions) 1994	1993	% chg*
First-Class	94.38	92.17	2.4
Second-Class	10.23	10.31	(0.8)
Third-Class	69.40	65.77	5.5
Fourth-Class	0.87	0.74	17.0
U.S. Postal Service	0.45	0.54	(17.6)
International	0.86	0.91	(5.1)
All Other	0.88	0.78	13.2
Total Mail	177.07	171.22	3.4

* *Percent change reflects unrounded volume data.*

Percent of Total Volume by Class, Fiscal Year 1994

	(in percent)
First-Class	53.29
Second-Class	5.78
Third-Class	39.20
Fourth-Class	0.49
U.S. Postal Service	0.25
International	0.49
All Other	0.50
Total	100.00

Operating Statistics

	1994	1993	1992	1991	1990
	(in thousands of units indicated)				
First-Class					
Pieces, number	94,376,106	92,169,448	90,781,037	90,284,596	89,269,649
Weight, pounds	3,737,129	3,672,186	3,496,383	3,398,026	3,339,790
Revenue	$29,395,327	$28,827,885	$28,296,035	$26,648,534	$24,023,323
Priority Mail					
Pieces, number	768,262	664,373	584,356	530,407	517,850
Weight, pounds	1,330,348	1,174,613	1,108,590	1,017,227	1,007,067
Revenue	$ 2,648,570	$ 2,299,663	$ 2,070,830	$ 1,764,601	$ 1,554,656
Express Mail					
Pieces, number	56,193	52,380	53,176	57,968	58,582
Weight, pounds	64,793	60,942	63,208	107,158	112,451
Revenue	$ 671,439	$ 627,073	$ 639,019	$ 667,988	$ 630,707
Mailgram					
Pieces, number	5,329	7,179	7,453	11,942	14,001
Revenue	$ 1,687	$ 7,057	$ 7,675	$ 7,452	$ 8,477
Second-Class					
Pieces, number	10,227,654	10,306,091	10,318,584	10,399,202	10,680,469
Weight, pounds	4,088,202	4,040,511	3,830,429	4,014,545	4,233,113
Revenue	$ 1,757,455	$ 1,740,431	$ 1,751,180	$ 1,667,801	$ 1,509,346
Third-Class					
Pieces, number	69,400,101	65,773,180	62,547,188	62,429,896	63,725,110
Weight, pounds	8,797,373	8,006,537	7,122,868	7,386,612	7,648,088
Revenue	$10,511,198	$ 9,816,731	$ 9,490,179	$ 8,956,031	$ 8,082,377

Operating Statistics

	1994	1993	1992	1991	1990
	(in thousands of units indicated)				
Fourth-Class					
Pieces, number	870,609	743,847	764,504	695,393	662,977
Weight, pounds	2,618,001	2,284,346	2,396,768	2,074,460	2,109,342
Revenue	$ 1,350,704	$ 1,183,372	$ 1,186,360	$ 1,000,945	$ 919,540
International Surface					
Pieces, number	122,410	124,417	132,934	146,464	165,901
Weight, pounds	116,914	125,076	120,229	133,952	146,216
Revenue	$ 204,255	$ 210,895	$ 206,602	$ 221,439	$ 222,123
International Air					
Pieces, number	737,964	782,604	656,319	646,338	632,364
Weight, pounds	122,655	119,857	107,733	102,077	102,397
Revenue	$ 1,205,834	$ 1,195,620	$ 1,069,229	$ 984,573	$ 941,078
U.S. Postal Service					
Pieces, number	448,029	543,674	551,402	612,545	538,427
Weight, pounds	72,120	80,935	91,648	79,624	97,388
Free for the Blind					
Pieces, number	49,563	52,799	46,439	35,859	35,440
Weight, pounds	28,140	33,261	30,701	26,299	30,235
Totals*					
Pieces, number	177,062,220	171,219,994	166,443,391	165,850,610	166,300,770
Weight, pounds	20,975,674	19,598,264	18,368,556	18,339,980	18,826,087
Revenue	$47,746,469	$45,908,726	$44,717,110	$41,919,364	$37,891,627

* *Penalty and franked mail are included in their classes of mail.*
Totals may not add due to rounding.

Operating Statistics

(in thousands of units indicated)	1994	1993	1992	1991	1990
Registry					
Number of articles (paid and free)	22,592	23,852	25,285	41,190	45,312
Revenue	$ 120,277	$ 130,358	$ 130,977	$ 147,250	$ 173,725
Certified					
Number of pieces (paid and free)	234,776	237,079	219,388	209,033	191,032
Revenue	$ 421,445	$ 425,503	$ 392,807	$ 362,370	$ 309,652
Insurance					
Number of articles (paid and free)	32,086	30,773	34,113	35,645	33,102
Revenue	$ 53,266	$ 52,020	$ 56,151	$ 54,234	$ 47,250
Collection-On-Delivery					
Number of articles	5,537	6,802	8,256	8,690	9,926
Revenue	$ 16,675	$ 20,268	$ 24,845	$ 25,577	$ 26,093
Special Delivery					
Number of articles (paid and free)	642	331	820	2,101	1,161
Revenue	$ 4,960	$ 2,409	$ 5,530	$ 14,441	$ 6,345
Money Orders					
Number issued	196,685	186,404	177,584	162,453	155,141
Revenue	$ 154,336	$ 165,893	$ 154,384	$ 148,146	$ 154,588
Other					
Box rent revenue	$ 489,217	$ 480,969	$ 457,200	$ 412,625	$ 393,807
Stamped envelope revenue	$ 17,211	$ 18,154	$ 18,147	$ 12,955	$ 25,181
Other revenue, net	$ 228,134	$ 213,850	$ 193,969	$ 225,642	$ 173,137
Totals					
Special services revenue	$ 1,505,521	$ 1,509,424	$ 1,434,010	$ 1,403,240	$ 1,309,778
Mail revenue	$47,746,469	$45,908,726	$44,717,110	$41,919,364	$ 37,891,627
Operating revenue before appropriations	$49,251,990	$47,418,150	$46,151,120	$43,322,604	$ 39,201,405

Operating Statistics

	1994	1993	1992	1991	1990
Employees					
Headquarters — L'Enfant Plaza	1,701	1,762	2,434	2,408	2,291
Headquarters — Field Support Units	4,117	4,157	5,663	5,715	5,691
Inspection Service (field)	4,308	4,181	4,324	4,316	4,259
Discontinued Operations	85	189	—	—	—
Field Career Employees					
Area Offices	1,262	1,062	—	—	—
Regional Offices	—	—	586	559	542
Postmasters/Installation Heads	26,803	25,304	26,496	27,100	26,995
Supervisors/Managers	34,616	31,936	43,185	43,801	43,458
Prof. Admin. Tech. Personnel	10,924	10,306	10,440	9,888	9,793
Clerks	265,294	257,147	268,049	280,918	290,380
Nurses	181	224	286	296	286
Mail Handlers	54,859	51,078	49,520	50,770	51,123
City Delivery Carriers	229,138	211,893	223,088	232,182	236,081
Motor Vehicle Operators	7,577	7,199	7,086	7,265	7,308
Rural Delivery Carriers & Substitutes on Unassigned Routes	45,049	43,694	43,283	42,876	42,252
Special Delivery Messengers	1,574	1,571	1,742	1,870	2,012
Bldg. & Equip. Maintenance Personnel	36,767	35,444	34,367	34,166	33,323
Vehicle Maintenance Personnel	4,689	4,576	4,741	4,831	4,874
Total Career Employees	728,944	691,723	725,290	748,961	760,668
Non-Career Employees					
Casuals	25,674	25,889	27,204	25,666	26,829
Non-Bargaining Temporary	613	1,452	603	548	414
Rural Subs/RCA/RCR/AUX	46,589	44,456	43,830	44,020	43,373
PM Relief/Leave Replacements	12,683	12,087	12,415	12,198	11,979
Transitional Employees	37,542	42,272	9,732	—	—
Offices, Stations, and Branches					
Number of post offices	28,657	28,728	28,837	28,912	28,959
Number of stations and branches:					
Classified stations and branches	5,682	4,692	4,685	5,029	5,008
Contract stations and branches	3,424	4,367	4,443	4,427	4,397
Community post offices	1,609	1,605	1,630	1,617	1,703
Subtotal	10,715	10,664	10,758	11,073	11,108
Total offices, stations, and branches	39,372	39,392	39,595	39,985	40,067

Multi-generational postal families

These families answered the Postal Family Search and are part of the Postal Service's long, proud heritage.

The Adams Family of Grafton, WV
The Ainslie Family of Fly Creek, NY
The Alessi Family of Cape Neddick, ME
The Alexander Family of Morganton, GA
The Ally Family of New Orleans, LA
The Allyn Family of Stockton, CA
The Anderson Family of Lockport, IL
The Ankrum Family of St. Augustine, FL
The Armbruster Family of St. Louis, MO
The Armstrong Family of Cedar Springs, MI
The Ayers Family of Hannibal, MO
The Bailey Family of Arab, AL
The Balsom Family of Springfield, MA
The M. Barshay Family of Cleveland, OH
The N. Barshay Family of Medina, OH
The Bartosovsky Family of Carnegie, OK
The Beach Family of Portland, OR
The Bean Family of Sanbornville, NH
The Beebe Family of Prather, CA
The Belew Family of Poplar Bluff, MO
The Berg Family of Ferdinand, IN
The Bigornia Family of Chula Vista, CA
The Casara-Blake Family of Canovanas, PR
The Bodnar Family of Graytown, OH
The Boland Family of Clarks Summit, PA
The Bonos Family of Tamarac, FL
The Bovard Family of Warren, PA
The Brandon Family of Spanish Fork, UT
The Breaux Family of New Iberia, LA
The Brill Family of New Berlin, WI
The P. Brown Family of Phoenix, AZ
The R. Brown Family of New York, NY
The Bumgarner Family of Rogersville, MO
The Burden Family of Duncan, OK
The Buresh Family of Stanwood, MI
The Burkett Family of Batesburg, SC
The Bushman Family of Greendale, WI
The Campbell Family of Allegan, MI
The Cason Family of Douglasville, GA
The Castello Family of Nineveh, NY
The Chance Family of Gresham, OR
The Chapman Family of Chillicothe, OH
The Charlton Family of Norman, OK
The Chifo Family of Rowland Heights, CA
The Church Family of Fairmont, WV
The Clark Family of Charlton, NY
The Burt-Connor Family of Roseville, MI
The Cott Family of Orange, CA
The DeCoursey Family of Rochester, NY
The Harter-Crainelli Family of Plantation, FL
The Cutolo Family of Melville, NY
The Dabulskis Family of Pendleton, OR
The Dahlberg Family of New London, MN
The David Family of Lansing, MI
The P. Davis Family of San Marcos, CA
The W. Davis Family of Sparta, TN
The Dean Family of Alexis, IL
The DeCarlo Family of Centreville, VA
The Desimas Family of Long Beach, CA
The LeDesma Family of Gilbert, AZ
The Dever Family of Hot Springs, AR
The Deweese Family of South Shore, KY
The Dondero Family of Dorchester, NJ
The Downs Family of Desoto, MO
The Dulac Family of Carmel, ME
The Dunlap Family of Seattle, WA
The DuRussel Family of Munger, MI
The Edgcome Family of Knoxville, PA
The Ehler Family of Hummelstown, PA
The Ellis Family of Lancaster, NY
The Engaldo Family of Santee, CA
The Ereno Family of San Jose, CA
The Evans Family of Crown Point, IN
The Ewald Family of South Bend, IN
The Farrell Family of Cooksburg, PA
The Fedderke Family of Defiance, OH
The Fernandez Family of Rockedge, FL
The Ferrell Family of Haysville, KS
The Fersch Family of Pickerington, OH
The Filipp Family of Lake Jackson, TX
The Fisher Family of Fort Worth, TX
The Friend Family of Vancouver, WA
The Fronda Family of San Jose, CA
The Fuentes Family of San Jose, CA
The Gianoulis Family of Belmont, NH
The Gillis Family of Brewton, AL
The Gilmore Family of Kansas City, MO
The Gleave Family of Hatboro, PA
The Glimpse Family of Port Byron, NY
The Gonzales-De La O Family of Arleta, CA
The Gorbacz Family of South Bend, IN
The Grant Family of Ocala, FL
The Gregorich Family of Chardon, OH
The Gutapfel Family of Sunman, IN
The Hackett Family of Charleston, IL
The Haderthauer Family of Iselin, NJ
The Hall Family of Means, KY
The Hamilton Family of Blue Knob, PA
The Hanke Family of St. Charles, MO
The Barbara Hansen Family of Cashton, WI
The Bob Hansen Family of Rockford, MI
The Halford Family of East Point, FL
The D. Hawkins Family of Mora, MN
The J. Hawkins Family of Fresno, CA
The Heard Family of Eastanollee, GA
The Hedrick Family of Wapella, IL
The Helton Family of Huntsville, AL
The Herndon Family of Payette, ID
The Hines Family of Birmingham, AL
The Hissen Family of Minot, ND
The Hitesman Family of Glenns Ferry, ID
The Hobratsch Family of Georgetown, TX
The Hofheinz Family of Tallahassee, FL
The Holloway Family of Ooltewah, TN
The Holt Family of Salt Lake City, UT
The Howe Family of Millbrook, IL
The Hupman Family of Cartersville, GA
The Jackson Family of Springfield, TN
The Larson-Jasperson Family of Boulder City, NV
The B. Johnson Family of Salt Lake City, UT
The J. Johnson Family of Central Lake, MI
The G. Jones Family of Indianapolis, IN
The T. Jones Family of Midland, TX

The Jorgenson Family of American Fork, UT
The Davis-Joyce Family of Charlotte, NC
The Kahrs Family of Eudora, KS
The Kelly Family of Newton, NC
The Kilian Family of Macomb, MI
The Klink Family of Twentynine Palms, CA
The Knight Family of Canyon Country, CA
The Gusciora-Kots Family of Wallington, NJ
The Krifka Family of Kensoha, WI
The Kucharczky Family of Plantsville, CT
The Kuhn Family of Boise, ID
The Kunstek Family of Lakeland, FL
The Kyllo Family of Ft. Myers, FL
The Firth-Larson Family of Venango, PA
The Lasher Family of Hampton, KY
The Layden Family of Moccasin, CA
The Dotson-Leko Family of Milford, UT
The Lewis Family of Captiva, FL
The Lilly Family of Beaver, WV
The Little Family of Fayetteville, AR
The Long Family of Bowling Green, KY
The Wymer-Lonsinger Family of Saugus, CA
The Lorenzo Family of Tampa, FL
The Loughery Family of Shinnston, WV
The Lucas Family of Redfield, AR
The Manhan Family of Ladd, IL
The Manning Family of Wilbraham, MA
The Mapp Family of Chicago, IL
The Marano Family of Lawrenceville, GA
The Marr Family of Marion, CT
The Marsh Family of Mullen, NE
The L. Martin Family of Barwick, GA
The W. Martin Family of Mena, AR
The Maskara Family of Yonkers, NY
The Massey Family of Concord, CA
The D. Mathews Family of Pendleton, IN
The G. Mathews Family of Idaho Falls, ID
The W. Mathews Family of Anderson, IN
The Maxwell Family of Orem, UT
The May Family of Phoenix, AZ
The McCarty Family of Vernal, UT
The McClure Family of Bloomington, IN
The McCluskey Family of Frewsburg, NY
The McDonald Family of Cincinnati, OH
The McGinty Family of Tallassee, AL
The Meneses Family of San Antonio, TX
The Clifford-Merriam Family of Blossvale, NY
The Moore Family of Vega, TX
The Moreland Family of Auburn, IL
The Morey Family of Vernon, CT
The Moses Family of Brandon, FL
The Musser Family of Phoenix City, AZ
The Neville Family of Aliquippa, PA
The Newberry Family of Cimarron, CO
The Nichols Family of Everett, MA
The Cucci-Nieves Family of Staten Island, NY
The Nusbaum Family of Vaughnsville, OH
The Oie Family of Oakdale, MN
The Ostrander Family of Seneca, WI
The Parish Family of Fremont, OH
The Passamonte Family of Mt. Morris, NY
The Patrick Family of Gaffney, SC
The Perdew-Duncan Family of Woodbridge, VA
The Plegge Family of Highland, MI
The Porter Family of Yazoo City, MS
The Pratt Family of Sicklerville, NJ
The Price Family of Lincoln, NE
The Pruyn Family of Crystal Beach, FL
The Radican Family of Indianapolis, IN
The Rameo Family of Livonia, MI
The J. Randazzo Family of Westland, MI
The S. Randazzo Family of Springfield, PA
The Randle Family of Martinsville, IN
The Raymond Family of E. Hampstead, NH
The Reisinger Family of Harleysville, PA
The Richard Family of Hillsboro, MO
The Ring Family of Centralia, IL
The Rodgers Family of Ogden, IA
The Rosa Family of Toa Baja, PR
The Rupe Family of Kenyon, MN
The Ruppel Family of Appleton, WI
The Rusling Family of West Chester, PA
The Rutland Family of Fitzpatrick, AL
The Sain Family of Denver, NC
The Samaniego Family of Santa Ana, CA
The Sanders Family of Ft. Lauderdale, FL
The Sarkkinen Family of Yacolt, WA
The Schmidt Family of Chatharine, KS
The Schnepp Family of Westchester, PA
The Schreck Family of Bronx, NY
The Schulte Family of Argyle, MO
The Schwab Family of Willard, OH
The Scott Family of Ft. Lauderdale, FL
The Heck-Seitz Family of North Highlands, CA
The Shaffer Family of New Paris, OH
The Shatzel Family of San Jose, CA
The Shaw Family of Vandalia, MO
The Sill Family of Aubrey, TX
The Sisti Family of New Hartford, NY
The Smischney Family of Saum, MN
The C. Smith Family of Hicksville, NY
The K. Smith Family of Mifflinburg, PA
The Spencer Famiy of Los Angeles, CA
The Springstroh Family of Melbourne, FL
The Sprosty Family of Cleveland, OH
The Stallcup Family of Scotland, TX
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The Sutfin Family of Hornell, NY
The Taress Family of Sheffield Lake, OH
The Taylor Family of Aztec, NM
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The Turner Family of Plainview, AR
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The Vognsen Family of Shawnee, KS
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The Walsh Family of Phoenix, AZ
The Watkins Family of St. Augustine, FL
The Way Family of Omaha, NE
The Welch Family of Huntsville, AL
The Weller Family of Davis, CA
The Wells Family of Ft. Wayne, IN
The Wesson Family of Gadsden, AL
The Whelan Family of Lewiston, ME
The Whipple Family of Farmington, NM
The Whitaker Family of Moultrie, GA
The A. White Family of Bolt, WV
The K. White Family of West Valley City, UT
The Wickersham Family of Augusta, OH
The Wickline Family of Jackson, OH
The Wildy Family of Brooklyn, NY
The Wilkeson Family of South Bend, IN
The N. Williams Family of Tampa, FL
The V. Williams Family of Lerna, IL
The Wilson Family of Starr, SC
The Wynne Family of North Port, FL
The Zentner Family of Sandy, UT
The Zimmer Family of Port Richey, FL
The Zimmerman Family of Ft. Washington, MD

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